



GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Development of Kakinada Deep Water Port– Operation and Maintenance
by KSPL –Revision of Concession Agreement – Orders - Issued.

INFRASTRUCTURE & INVESTMENT (PORTS-I) DEPARTMENT

G.O.Ms.No. 3

Dated:12-01-2009.

Read the following:

- 1) G.O.Ms.No.26, TR&B (Ports) Department dt. 17-3-1999
- 2) G.O.Ms.No.72, TR&B (Ports) Dept. dt. 22-5-2002.
- 3) G.O.Ms.No.128, TR&B (Ports) Dept. Dt. 26-7-2003.
- 4) Representation of KSPL Lr.No.KSPL/GoAP/CM/08-09/250908,
Dt: 25-9-2008.
- 5) G.O.Ms.No.5811, G. A. (Cabinet) Dept.dt., dt.06-10-2008

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ORDER:

Government have issued orders in the G.O first read above, consigning the 3 berth terminal built by Government with ADB loan assistance at Kakinada to International Sea Ports Ltd. (ISPL) on their selection for operation and maintenance of Kakinada Deep Water Port (KDWP) under private sector on OMST/BOMST (Operate, Maintain, Share and Transfer/Build, Operate, Maintain, Share and Transfer) basis with the condition that the concessionaire shall construct and operate the fourth berth, duly entering into an Concession Agreement on 19-3-1999. M/s. ISPL have incorporated a Special Purpose Vehicle (SPV) in name of Cocanada Port Company Ltd. (CPCL), subsequently renamed as Kakinada Seaports Ltd. (KSPL) w.e.f. 18-9-2001.

2. M/s KSPL have subsequently requested for revision of certain provisions of the Concession Agreement taking into account the overall circumstances and to ensure the short term bankability and long term viability of the Project as endorsed by M/s. Infrastructure Development Finance Corporation (IDFC), the financial institution who appraised the Project for KSPL. On this, a Cabinet sub-Committee was constituted in the year 2002 to examine the requests and recommend to the Government. Basing on the recommendations of the Cabinet Sub Committee, orders have been issued in the G.O second read above and accordingly a revised agreement was entered into in the G.O third read above, wherein a provision has been made to the effect that, after completion of the entire investments, by M/s KSPL as per the DPR, if the traffic is still not improving, both parties i.e Government of Andhra Pradesh and the concessionaire will mutually discuss/review the situation.

Contd..2.

3. Now, M/s KSPL have requested the Government to extend the facilities to them broadly on line with the Port Projects taken up under PPP mode and put-forth the following requests in their letter Fourth read above, for consideration of the Government.

1. Cargo Restriction – Clause 2.19.1:
2. Concession period – Clause 3.4:
3. Future Development – Clause 3.6:
4. Revenue Sharing and Minimum Guarantee – Clause 7.3:
5. Transfer of port Assets – Clause 9.1
6. Requirement of additional Lands, Lease charges and Cost of reclamation.

4. The Government have referred the request of M/s KSPL to the Group of Ministers constituted for the purpose in the G.O fifth read above.

5. The Group of Ministers have discussed and thoroughly examined the issues in consultation with M/s RITES and also the concerned Departments, like Law and Finance within the Government. The recommendations Group of Ministers were discussed in the meeting of the Council of Ministers on 17-12-2008.

6. After careful examination, the Government hereby order revision of Concession Agreement, dated 19-3-1999 to the extent indicated below:-

1. Clause 2.19.1 - Cargo Restriction :-

Decided not to make any change in the clause.

2. Clause 3.4 - Concession period:-

Decided to extend the concession period of the agreement beyond 20 (twenty) years to 30 (thirty) years and then extendable to 20 (twenty) years in two spells of 10 years each (10 years + 10 years) under the same Concession Agreement. The Revenue share payable from 21 years to 30 years, 31 years to 40 years and 41 years to 50 years will be 22% .

3. Clause 3.6 - Future Development:-

Decided to provide freedom to KSPL to develop new berths/facilities in the Deep Water Port. However, GOAP can construct and operate their own berth(s). In all other cases, KSPL has first right of refusal. KSPL may carry out capital dredging and Maintenance dredging under intimation to the Government.

4. Clause 7.3 - Revenue Sharing and Minimum Guarantee:-

The Minimum Guarantee Amount is deleted, but the present Revenue Sharing of 22% for the concession period beyond 20 years, for 30 years and then from 31 years to 50 years will continue.

5. Clause 9.1 - Transfer of Port Assets :-

Decided not to make any changes in the clause.

7. In addition to the above it is also ordered that :-

- a) lands will be offered if any available and also in future as and when any lease agreements entered with GoAP by the port users expire (both annual and long term), first right of refusal may be offered to KSPL, in deep water port except the areas earmarked for ship-building units, fishing harbour and land being used for Government purpose.
- b) there shall not be any change in the clause on land lease rates; and
- c) there shall not be any reimbursement of the cost of reclamation.

8. Further, the Government order that a revised agreement shall be entered into accordingly.

9. This order issues with the concurrence of Finance Department, vide their U.O.Note No.38395-A/1832/A2/Expr.PWD/08, Dated 29-12-2008.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

MANMOHAN SINGH
SECRETARY TO GOVERNMENT

To
M/s Kakinada Seaports Limited, Hyderabad,
The Director of Ports, Kakinada.
Copy to:
The Principal Accountant General, A.P, Hyderabad.
M/s. RITES, New Delhi.
Sf/sc

// forwarded by order //

SECTION OFFICER